

**LAKESHORE VILLAGES MASTER
COMMUNITY DEVELOPMENT DISTRICT
FINANCIAL STATEMENTS
DECEMBER 31, 2010**

Under provisions of state law, this report is a public document. A copy of the report has been submitted to *the entity and other appropriate public officials*. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date **OCT 19 2011**

TABLE OF CONTENTS

	Page
Independent Auditors' Report	1
Required Supplementary Information (Part I) Management's Discussion and Analysis	3
Basic Financial Statements	
Statement of Net Assets	8
Statement of Activities and Changes in Net Assets	9
Fund Financial Statements	
Governmental Funds	
Balance Sheet – Governmental Funds	11
Reconciliation of Governmental Fund Balance Sheet to Statement of Net Assets	12
Statements of Revenues, Expenditures, and Changes in Fund Balance – Governmental Funds	13
Reconciliation of Governmental Fund Statements of Revenues, Expenditures, and Changes in Fund Balance to Statement of Activities and Changes in Net Assets	14
Notes to Financial Statements	16
Required Supplementary Information (Part 2) Statement of Revenues, Expenditures, and Changes in Fund Balance – Capital Projects Fund – Budget to Actual (Budgetary Basis)	31
Other Report	
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	33
Schedule of Current Year Findings and Questioned Costs	35
Summary of Prior Year Findings	37



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INDEPENDENT AUDITORS' REPORT

To the Board of Commissioners
Lakeshore Villages Master Community Development District
Slidell, Louisiana

We have audited the accompanying basic financial statements of the Lakeshore Villages Master Community Development District (the District), as of December 31, 2010, and for the year then ended. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit. The basic financial statements of Lakeshore Villages Master Community Development District as of December 31, 2009, were audited by other auditors whose report dated June 30, 2010, expressed an unqualified opinion on those statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of Lakeshore Villages Master Community Development District as of December 31, 2010, and the results of its operations for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated June 21, 2011 on our considerations of Lakeshore Villages Master Community Development District's internal control structure and on its compliance with laws and regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audits.

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The management's discussion and analysis and budgetary comparison information on pages 3 through 6 and page 30, are not required parts of the basic financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of supplementary information. However, we did not audit the information, and express no opinion on it.

The accompanying financial statements have been prepared assuming that the District will continue as a going concern. As discussed in Note L, the District is dependent on the Developer and its ability to sell lots in an economy of financial crisis, which raises substantial doubt about its ability to continue as a going concern. The financial statements do not include any adjustment in the amount and classification of liabilities that might be necessary if the District is unable to meet its obligations as they come due.

The other auditor's report on the December 31, 2009 financial statements of Lakeshore Villages Master Community Development District included an explanatory paragraph describing conditions that raised substantial doubt about its ability to continue as a going concern, as discussed in Note M to the financial statements.

Silva Gartner & Alney, LLC

June 21, 2011

**LAKESHORE VILLAGES COMMUNITY MASTER DEVELOPMENT DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2010**

Management's Discussion and Analysis (MD&A) is a required element of the reporting model adopted by the Governmental Accounting Standards Board in their Statement No. 34. Its purpose is to provide an overview of the financial activities of the District's office based on currently known facts and decisions of conditions. Please read it in conjunction with the District's financial statements, which begin on page 7.

The basic financial statements include government-wide and government fund statements. The government-wide Statement of Net Assets and Statement of Activities and Changes in Net Assets present information for all the activities of the District's office, from an economic resources measurement focus using the accrual basis of accounting. Primarily, for our office, the difference between these statements and Governmental fund statements is that assets are capitalized and depreciated over their estimated useful life versus expensed in the Governmental fund statements. The Balance Sheets – Governmental Funds detail the assets and liabilities of the governmental funds while the Reconciliation of Governmental Fund Balance Sheet to Statement of Net Assets reflects the differences from the amounts reported in the Statement of Net Assets. The Statements of Revenues, Expenditures and Changes in Fund Balance – Governmental Funds reflect the current year receipt and disbursement of funds and the Reconciliations of Governmental Fund Balance Sheets to Statement of Net Assets and Reconciliation of Governmental Fund Statements of Revenues, Expenditures, and Changes in Fund Balance to Statement of Activities and Changes in Net Assets report the differences in the change in fund balance to the change in net assets of the Government activities. The differences between the adopted budget and the actual activities are reflected in the Statement of Revenues, Expenditures, and Changes in Fund Balance-Capital Projects-Budget to Actual.

The District is a subdivision of the State of Louisiana within the Parish of St. Tammany. The accompanying financial statements only present information in the funds maintained by the District.

STATEMENT OF NET ASSETS AND STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

The Statement of Net Assets and Statement of Activities and Changes in Net Assets report information about the funds maintained by the District as a whole and about its activities in a way which helps answer one of the most important questions asked about the District's finances, "Is the District, as a whole, better off or worse off as a result of the year's activities?" These statements include all assets and liabilities using the accrual basis of accounting used by most private sector companies. Accrual of the current year's revenues and expenses are taken into account regardless of when the cash was received or paid.

These two statements report the District's net assets and the changes in them. These net assets, the difference between the assets and the liabilities, is one way to measure the District's financial health and, over time, increases or decreases in net assets are one indicator of whether its financial health is improving or deteriorating.

The funds maintained by the District are recorded as governmental activities in the Statement of Net Assets and Statement of Activities and Changes in Net Assets.

**LAKESHORE VILLAGES COMMUNITY MASTER DEVELOPMENT DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2010**

FINANCIAL HIGHLIGHTS

Key financial highlights for the year include the following:

- Total net assets are comprised of the following:
 - 1) Invested in capital assets of \$(4,309,360) including infrastructure assets purchased, net of accumulated depreciation and net of related debt.
 - 2) Restricted for debt service of \$1,699,797.
 - 3) Restricted for future capital projects of \$1,575.
- Total spending for all governmental activities was \$4,848,404, added to \$422,072 of general revenues resulted in net assets of \$(2,607,988).
- The governmental funds reported total ending fund balance of \$1,701,372 of which \$1,575 was considered reserved for future capital projects and \$1,699,797 was reserved for debt service.
- Total revenue reported for all governmental funds was \$422,072 and expenditures were \$4,385,099, including \$4,316,047 of debt service expenditures. This resulted in an excess of expenditures over revenues of \$(3,963,027).

FINANCIAL ANALYSIS AS A WHOLE

To begin our analysis, a condensed summary of the Statement of Net Assets is presented in the following table:

<u>Condensed Statement of Net Assets</u>	<u>2009</u>	<u>2010</u>	<u>Increase (Decrease)</u>	<u>%</u>
Current and other assets	\$ 5,664,399	\$ 1,701,372	\$ (3,963,027)	-70%
Non-current assets	66,187,562	65,589,909	(597,653)	-1%
Capital assets, net	<u>70,202,244</u>	<u>69,484,287</u>	<u>(717,637)</u>	<u>-1%</u>
Total Assets	142,054,205	136,775,568	(5,278,637)	-4%
Current liabilities	2,215,104	2,337,455	122,351	6%
Non-current liabilities	64,354,757	63,828,683	(526,074)	-1%
Long term debt	<u>73,666,000</u>	<u>73,217,418</u>	<u>(448,582)</u>	<u>-1%</u>
Total Liabilities	140,235,861	139,383,556	(852,305)	-1%
Invested in capital assets	(3,846,055)	(4,390,360)	(463,305)	12%
Restricted for debt service	5,658,136	1,699,797	(3,958,339)	-70%
Restricted for capital projects	<u>6,263</u>	<u>1,575</u>	<u>(4,688)</u>	<u>-75%</u>
Total Net Assets	<u>\$ 1,818,344</u>	<u>\$ (2,607,988)</u>	<u>\$ (4,426,332)</u>	<u>-243%</u>

The District provides infrastructure and accounts for the related debt. The decrease in current and other assets was primarily from payments of debt service on bonds.

Sources of revenue include, earnings on investments and assessments on property – currently held and when sold. The following condensed Statement of Activities shows the major sources of revenue and expenses:

**LAKESHORE VILLAGES COMMUNITY MASTER DEVELOPMENT DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2010**

<u>Condensed Statement of Net Assets</u>	<u>2009</u>	<u>2010</u>	<u>Increase (Decrease)</u>	<u>%</u>
Operating grants and contributions	\$ -	\$ -	\$ -	0%
General Revenues	<u>444,832</u>	<u>442,072</u>	<u>(2,760)</u>	<u>-1%</u>
	444,832	442,072	(2,760)	-1%
Program Expense:				
Current	(4,128,195)	(3,708,375)	419,820	-10%
Depreciation and amortization	<u>(720,558)</u>	<u>(717,957)</u>	<u>2,601</u>	<u>0%</u>
Changes in Net Assets	(4,403,921)	(4,426,332)	(22,411)	1%
Net assets beginning of year	<u>6,222,265</u>	<u>1,818,344</u>	<u>(4,403,921)</u>	<u>-71%</u>
Total Net Assets	<u>\$ 1,818,344</u>	<u>\$ (2,607,988)</u>	<u>(4,426,332)</u>	<u>-243%</u>

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The focus of the governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the financing requirement. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending.

The governmental funds reported combined ending fund balances of \$1,701,372 of which the majority 1,699,797 is reserved for debt service. Certain balances in the total are reserved to indicate that it is not available for new spending.

The Capital Project Fund – The proceeds of the Series 2007 bond issue was deposited into this fund reduced by underwriter fees, original issue discount costs and bond issuance costs in order to purchase infrastructure assets in the prior year. After the purchase that required remaining balances were transferred to the debt service fund and restricted to pay off the bonds.

The Debt Service Fund – This fund accounts for restricted cash and investments required by the indenture to pay off the Series 2007 Bonds. The entire special assessment levied to fund the bonds is recorded and will be reduced as the payments are made.

GENERAL FUND BUDGETARY HIGHLIGHTS

For the fiscal year ended December 31, 2010, there were no significant unfavorable variances in the budget.

CAPITAL ASSETS

The value of infrastructure assets purchased during the year 2007 was \$72,122,000 based on the Infrastructure Valuation Report. Proceeds of \$63,146,442 from the Series 2007 Bonds and a contribution of the balance from the Developer funded the purchase. There was no additional infrastructure purchased during this fiscal year. \$717,957 of depreciation expense was recorded during the year. More detailed information about the capital assets is presented in Note G to the basic financial statements.

**LAKESHORE VILLAGES COMMUNITY MASTER DEVELOPMENT DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2010**

LONG-TERM DEBT

The District issued \$75,000,000 Series 2007 Special Assessment Bonds to fund the purchase of infrastructure assets in a prior year. The balance of outstanding bonds at the beginning of the year was \$73,666,000. Principal payments of \$448,582 and interest payments of \$3,893,085 were made during the year. Interest payable that was due on December 31, 2010 in the amount of \$1,933,732 was accrued at the end of the year, resulting in an ending balance of \$73,217,418 on the bonds outstanding.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS

The Board considers that the worldwide financial crisis may result in a slowdown in the sale of property in the District lands by the Developer – Tammany Holding Company, LLC, formally Tammany Holding Corporation. The timely payment of the Series 2007 Bonds depends on the willingness and ability of the Developer to pay the Special Assessment when due. The Developer has limited source of funds. A failure to make payments when due could result in the rapid, total depletion of the Series 2007 Debt Service Reserve Account prior to replenishment from the resale of property upon a foreclosure or otherwise. In that event, there could be a default in payments of the principal of, and interest on, the Series 2007 Bonds.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide to provide a general overview of the Lakeshore Villages Master Community Development District finances and to show accountability for the money it received. If you have any questions or need additional financial information, contact:

Mr. Robert Torres, Jr. Chairman
3600 Lakeshore Boulevard
Lakeshore, LA 70461 985-641-0089

BASIC FINANCIAL STATEMENTS

LAKESHORE VILLAGES MASTER COMMUNITY DEVELOPMENT DISTRICT
STATEMENTS OF NET ASSETS
DECEMBER 31, 2010

Assets

Current assets

Cash and cash equivalents	\$ 1,575
Restricted assets - investments	<u>1,699,797</u>
Total current assets	<u>1,701,372</u>

Non-current assets

Assessment receivable	64,232,406
Unamortized underwriter's discount	669,666
Unamortized original issue discount	490,000
Unamortized bond issue costs	<u>197,837</u>
Total non-current assets	<u>65,589,909</u>

Capital assets

At cost, net of accumulated depreciation	<u>69,484,287</u>
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Total assets	<u>136,775,568</u>
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Liabilities

Current liabilities

Deferred revenue	403,723
Interest payable on bonds	<u>1,933,732</u>
Total current liabilities	<u>2,337,455</u>

Non-current liabilities

Deferred revenue	63,828,683
Bonds due after one year	<u>73,217,418</u>
Total non-current liabilities	<u>137,046,101</u>

Net assets

Invested in capital assets, net of related debt	(4,309,360)
Restricted for:	
Capital projects	1,575
Debt service	<u>1,699,797</u>
Total net assets	<u>\$ (2,607,988)</u>

See accompanying independent auditors' report and notes to financial statements.

**LAKESHORE VILLAGES MASTER COMMUNITY DEVELOPMENT DISTRICT
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2010**

Program Revenues

	<u>Expenses</u>	<u>Operating Grants and Contributions</u>	<u>Net (Expenses) / Revenue</u>
Bond interest	\$ 3,867,465	\$ -	\$ (3,867,465)
Office operations	68,452	-	(68,452)
District manager fees	600	-	(600)
Amortization of bond issuance costs	193,930	-	(193,930)
Depreciation	717,957	-	(717,957)
	<u>\$ 4,848,404</u>	<u>\$ -</u>	<u>(4,848,404)</u>

General Revenues:

Assessments	421,723
Interest	349
Total general revenues	<u>422,072</u>

Change in net assets (4,426,332)

Net Assets:

Beginning of year	1,818,344
End of year	<u>\$ (2,607,988)</u>

See accompanying independent auditors' report and notes to financial statements.

FUND FINANCIAL STATEMENTS

**LAKESHORE VILLAGES MASTER COMMUNITY DEVELOPMENT DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
DECEMBER 31, 2010**

	<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>	<u>Total</u>
Assets			
Cash	\$ 1,575	\$ -	\$ 1,575
Restricted assets - investments	-	1,699,797	1,699,797
Assessments receivable	-	64,232,406	64,232,406
Total assets	<u>\$ 1,575</u>	<u>\$ 65,932,203</u>	<u>\$ 65,933,778</u>
Liabilities and fund balance			
Liabilities			
Deferred revenue	\$ -	\$ 64,232,406	\$ 64,232,406
Total liabilities	-	64,232,406	64,232,406
Fund balance			
Reserved for:			
Debt service	-	1,699,797	1,699,797
Capital projects	1,575	-	1,575
Total fund balance	<u>1,575</u>	<u>1,699,797</u>	<u>1,701,372</u>
Total liabilities and fund balance	<u>\$ 1,575</u>	<u>\$ 65,932,203</u>	<u>\$ 65,933,778</u>

See accompanying independent auditors' report and notes to financial statements.

**LAKESHORE VILLAGES MASTER COMMUNITY DEVELOPMENT DISTRICT
RECONCILIATION OF GOVERNMENTAL FUND
BALANCE SHEET TO STATEMENT OF NET ASSETS
DECEMBER 31, 2010**

Fund balance - total governmental fund	\$	1,701,372
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Amounts reported for governmental activities in the
statement of net assets are different because:

Capital assets used in governmental activities are not financial
resources; and therefore, are not reported in the funds.

Governmental capital assets	\$ 72,122,000	
Less accumulated depreciation	<u>(2,637,713)</u>	<u>69,484,287</u>

Unamortized debt issue costs which are recorded as current expenditures in governmental activities:	197,837
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Unamortized bond discount costs which are recorded as current expenditures in governmental activities:	490,000
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Unamortized underwriter's discount costs which are recorded as current expenditures in governmental activities:	669,666
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Interest payable is recorded as expenditure in governmental activities:	(1,933,732)
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Bonds payable are not due and payable in the current period and therefore are not reported in the funds:	<u>(73,217,418)</u>
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Net assets of governmental activities	\$	<u><u>(2,607,988)</u></u>
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See accompanying independent auditors' report and notes to financial statements.

**LAKESHORE VILLAGES MASTER COMMUNITY DEVELOPMENT DISTRICT
STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2010**

	<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>	<u>Total</u>
Revenues			
Assessments on lots	\$ -	\$ 403,723	\$ 403,723
Other assessments	7,679	10,321	18,000
Interest	335	14	349
	<u>8,014</u>	<u>414,058</u>	<u>422,072</u>
Total revenues			
	<u>8,014</u>	<u>414,058</u>	<u>422,072</u>
Expenditures			
General government			
Professional fees	6,000	10,000	16,000
Bank charges	85	-	85
Utilities	1,335	-	1,335
Insurance	4,307	-	4,307
District manager fee	600	-	600
Trustee fee	-	46,350	46,350
Compensation - board members	375	-	375
Total general government	<u>12,702</u>	<u>56,350</u>	<u>69,052</u>
Capital outlay debt service			
Principal, 2007 series	-	448,582	448,582
Interest, 2007 series	-	3,867,465	3,867,465
Total capital outlay	<u>-</u>	<u>4,316,047</u>	<u>4,316,047</u>
Total expenditures	<u>12,702</u>	<u>4,372,397</u>	<u>4,385,099</u>
Change in fund balance	(4,688)	(3,958,339)	(3,963,027)
Fund balances			
Beginning of year	6,263	5,658,136	5,664,399
End of year	<u>\$ 1,575</u>	<u>\$ 1,699,797</u>	<u>\$ 1,701,372</u>

See accompanying independent auditors' report and notes to financial statements.

**LAKESHORE VILLAGES MASTER COMMUNITY DEVELOPMENT DISTRICT
RECONCILIATION OF GOVERNMENTAL FUND
STATEMENTS OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE TO STATEMENT OF
ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2010**

Net changes in fund balance - total governmental funds \$ (3,963,027)

Amounts reported for governmental activities in the
statement of activities and changes in net assets are different because:

Governmental funds do not report depreciation expense
as an expenditure. (717,957)

Long term debt provides current financial resources to governmental funds,
but issuing debt increases long term liabilities in the statement of net assets.
Repayment of bond principal is an expenditure in the governmental funds, but
repayment reduces long term debt in the statement of net assets:

Principal paid on long-term debt	448,582	
Amortization of bond issuance costs	(193,930)	
	254,652	
		\$ (4,426,332)

See accompanying independent auditors' report and notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

**LAKESHORE VILLAGES MASTER COMMUNITY DEVELOPMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010**

NOTE A – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Lakeshore Villages Master Community Development District (the District) was established effective on January 19, 2007 by Ordinance Parish Council Series No. 07-1497 adopted by the Parish Council of the Parish of St. Tammany, State of Louisiana on January 4, 2007, as corrected by resolution of the Parish Council adopted on January 24, 2007. A Notice of Establishment of the District was duly recorded in the mortgage records of the Parish on February 7, 2007, which was within 30 days after the effective date of the District Ordinance.

The general purposes of the District are to finance and manage, through the levy and collection of special assessments, basic community development services, including and without limitation, water management and control; water supply, sewer and wastewater management, reclamation and reuse; bridges or culverts; roads and street lights; and with the consent of the Parish, parks and facilities for indoor and outdoor recreational, cultural and educational uses; fire prevention and control, school buildings and related structures; security; pest control and other public health nuisances; waste collection and disposal; and certain revenue producing utilities.

Neither the Board of Commissioners nor any person executing the Series 2007 Bonds shall be personally liable for the Series 2007 Bonds or be subject to any personal liability by reason of the issuance thereof. Furthermore, no earnings or assets of the District shall accrue to the benefit of any private persons. However, the limitation of liability provided for in the Act shall not apply to any gross negligence or criminal negligence on the part of any commissioner or person executing the Series 2007 Bonds.

The Reporting Entity

The District is a special district governed by a Board of Commissioners consisting of five members. The initial commissioners, which shall hold office for a term of four years and until a successor is chosen and qualifies, are those designated in the petition filed with the Parish Council for the establishment of the District, as required by the Act. Commencing six years after the initial appointment of commissioners, the position of each commissioner whose term has expired shall be filled by a qualified elector of the District, elected by the qualified electors of the District in accordance with the election laws of the state. The District Manager, a commissioner or a District employee may be a stockholder, officer or employee of a landowner within the District.

The accompanying general purpose financial statements comply with the provisions of Government Auditing Standards Board Statement No. 14 "The Financial Reporting Entity", in that the financial statements include all organizations, activities, and functions that comprise the District. Component units are legally separate entities for which the District (the primary entity) is financially accountable. Financial accountability is defined as the ability to appoint a voting majority of the organization's governing body and whether (1) the District's ability to impose its will over the organization or (2) the potential that the organization will provide a financial benefit to, or impose a financial burden, on the District. Using these criteria, the District has no component units.

LAKESHORE VILLAGES MASTER COMMUNITY DEVELOPMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010

NOTE A – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

Basic Financial Statements – Government-Wide Statements

The government-wide financial statements (i.e., the statements of net assets and the statements of activities and changes in net assets) report information on all of the nonfiduciary activities of the District. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. There were no activities of the District categorized as business-type activities.

The statements of activities and changes in net assets demonstrate the degree to which the direct expenses of a given function or segments are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Basic Financial Statements – Fund Financial Statements

The District uses fund accounting to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. A fund is a separate accounting entity with a self-balancing set of accounts.

Funds are ordered into three major categories: governmental, proprietary, and fiduciary. Funds within each major category are grouped by fund type in the financial statements. Governmental fund types are those through which general governmental functions of the District are financed. The acquisition, use and balances of the District's expendable financial resources and the related liabilities are accounted for through governmental funds. .

Basis of Accounting

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the

**LAKESHORE VILLAGES MASTER COMMUNITY DEVELOPMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010**

**NOTE A – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Amounts reported as program revenues include: 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Cash and Cash Equivalents

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. Cash received by the District is deposited into demand deposits and daily investment accounts. The District utilizes a financial institution to service bonded debt as principal and interest payments come due. The balance in this account is presented on the financial statements as "Restricted Assets - Investments". For presentation in the financial statements, investments in the money market accounts are considered to be cash equivalents.

Investments

Investment securities can include any of the following securities, if to the extent the same are at the time legal investments for funds of the Issuer pursuant to the laws of the State:

- Government Obligations
- Bonds, debentures, notes or other evidences of indebtedness issued by any of the following agencies or such other government sponsored agencies which may presently exist or be hereafter created; provided that such bonds, debentures, notes or other evidences of indebtedness are fully guaranteed as to both principal and interest by the USA:
 - Bank for Cooperatives
 - Federal Intermediate Credit Banks
 - Federal Financing Bank
 - Federal Home Loan Bank System
 - Export Import Bank of the US
 - Rural Economic Community Development Administration
 - Farm Credit System Financial Assistance Corporation
 - Small Business Administration
 - Inter American Development Bank
 - International Bank for Reconstruction and Development

LAKESHORE VILLAGES MASTER COMMUNITY DEVELOPMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010

NOTE A – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

Investments (continued)

- Federal Land Banks
 - The Federal National Mortgage Association
 - The Government national Mortgage Association
 - The Tennessee Valley Authority
 - The Washington Metropolitan Area Transit Authority
-
- Direct and general obligations of any state of the US, the payment of the principal of and interest on which the full faith and credit of such state is pledged, if at the time of their purchase such obligations are rated in either of the two highest rating categories by S&P and Moody's
 - Negotiable or non negotiable certificates of deposit, time deposits or other similar banking arrangements issued by any bank or trust company, including the Trustee, or any federal savings and loan association, the deposits of which are insured by the Federal Deposit Insurance Corporation
 - Bank or broker repurchase agreements fully secured by securities specified above
 - A promissory note of a bank holding company rated "AA" or better by S&P and Moody's
 - Investments agreements with a bank, mono line insurance company or other financial institution rated in the highest rating categories
 - Any short term government fund whose assets consist of above (including the Hancock Horizon US Treasury Money Market Class A Fund)
 - Commercial paper which at the time of purchase is rated in the highest rating category by S&P and Moody's

Hancock Bank (the "District's Trustee"), as per the Indenture agreement, shall invest in investment securities with a maturity not greater than three years; except that any investment agreement relating to any monies in the Debt Service Reserve Fund may have a maturity not greater than ten years. All deposits in time accounts shall be subject to withdrawal without penalty. All securities securing investments shall be deposited with a Federal Reserve Bank, with the trust department of the Trustee, as authorized by law with respect to trust funds in the State, or with a bank of trust company having a combined net capital and surplus of not less than \$50,000,000.

Capital Assets

General capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Improvements are capitalized; the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not capitalized.

All capital assets, other than land, are depreciated using the straight-line method over the following estimated useful lives:

LAKESHORE VILLAGES MASTER COMMUNITY DEVELOPMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010

NOTE A – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

Capital Assets (continued)

<u>Category</u>	<u>Life</u>
Land, right of ways, lakes and ponds	N/A
Roads, streets and drainage	40 years
Utility plants and pumps	25 years
Landscaping and design	30 years

In the fund financial statements, capital assets purchased in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition.

Fund Equity

Net assets present the difference between assets and liabilities in the Government Wide Financial Statements. In the Government Wide Financial Statements net assets are classified and displayed in three components:

1. Invested in capital assets – consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction or improvement of those assets, if any.
2. Restricted net assets – consists of net assets with constraints placed on the use either by (1) external groups such as a creditors, grantors, contributions or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
3. Unrestricted net assets – all other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

When both restricted and unrestricted resources are available for use, it is the District’s policy to use restricted resources first, then unrestricted resources as they are needed.

In the fund financial statements, governmental fund equity is classified as fund balance. Fund balance is further classified as reserved and unreserved, with unreserved further split between designated and undesignated. Any designations of fund balance represent tentative management plans that are subject to change.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of

**LAKESHORE VILLAGES MASTER COMMUNITY DEVELOPMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010**

**NOTE A – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

Use of Estimates (continued)

the financial statements and the reported amounts of revenues, expenditures, and expenses during the reporting period. Actual results could differ from those estimates.

Assessment Methodology

The District initially used Krebs, LaSalle LeMieux Consulting, Inc. to determine and establish the special assessment that will be levied against all assessable property in the District. The Consultant determines that the assessments will be an amount sufficient to pay all interest that is expected to become due on the District's outstanding bonds (the "Bonds"), to fund any sinking fund requirements on the bonds, to fund any reserve required by the Bond indenture, and to pay all expenses relating to the Bonds. The benefited assessment cost allocation is derived by calculating the equivalent residential lost usage of infrastructure improvements for all properties eligible for assessment and applying a factor weighted to each lot's appraised value in an amount sufficient to cover the cost of financing the infrastructure acquisitions improvements.

The assets to be acquired are by their nature part of systems of infrastructure which benefits all of the parcels throughout the District. However, the infrastructure subject to the special assessment benefits the lots that are impacted now by the roadway system, levees, canals and pumps are benefited now to a greater degree than the other lots. The lots in POD 1, 6 and 7 have also been approved by the parish for subdivision for development and sale or construction. Therefore, the beneficial assessment is based upon one assessment for the lots in POD 1 through 10, and Parcel 1 of \$3.50 per square foot and the lots Parcel 1 (Lake Parcel) at about \$0.04 per square foot.

The term "Special Assessment" means (a) the net proceeds derived from the levy and collection of "special assessments", as provided for in LA. R.S. 33:9039.29 (A) of the Act (except for any such special assessments levied and collected for maintenance purposes), against the lands located within the District that are subject assessments regarding the Phase I Project or any portion thereof, and (b) the net proceeds derived from the levy and collection of "benefit special assessments", including the interest and penalties on such assessments, pursuant to all applicable provisions of the Act (and any successor statutes thereto), including, without limitation, any amount received from any foreclosure proceeding for the enforcement of collection of such assessments or from the issuance and sale of tax deeds with respect to such assessments. "Special Assessments" shall not include "maintenance special assessments", if any levied and collected by the Issuer under the Act.

Special Bond Provisions

The Series 2007 bonds are limited obligations of the District payable solely from and secured by the pledge and assignment of and lien upon the pledged revenues pursuant to the indenture and neither the property, the full faith and credit, nor the taxing power of the District, the Parish, the State of Louisiana, or any political subdivision thereof, is pledged as security for the payment of the bonds, except that the

**LAKESHORE VILLAGES MASTER COMMUNITY DEVELOPMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010**

**NOTE A – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

Special Bond Provisions, continued

District is obligated under the indenture and the act to levy and to evidence and certify, or cause to be certified, for collection, special assessments to secure and pay the bonds.

The bonds do not constitute an indebtedness of the District, the Parish, the State of Louisiana, or any political subdivision thereof within the meaning of any constitutional or statutory provision or limitation.

The Series 2007 Bonds authorized under the indenture and the obligation evidenced thereby shall not constitute a lien upon any property of the District, including, without limitation, the project or any portion thereof in respect of which such bonds are being used, or any part thereof, but shall constitute a lien only on the pledged revenues as set forth in the indenture. Nothing in the bonds authorized under the indenture shall be construed as obligating the District to pay the bonds or the redemption price thereof or the interest thereon except from the pledged revenues, or as pledging the faith and credit of the District, the Parish, or the State of Louisiana or any political subdivision thereof, or as obligating the District, the Parish, the State of Louisiana or any of its political subdivisions, directly or indirectly or contingently, to levy (except for the special assessments levied by the District) or to pledge any form of taxation whatever therefore.

NOTE B – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budget

In accordance with the Louisiana Local Government Budget Act, the procedures used by the District in establishing the budgetary data reflected in the financial statements include public notices of the proposed budget, public inspections, and public hearings. The District then legally adopts the budget.

NOTE C – CASH AND CASH EQUIVALENTS

The entity's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. Cash received by the District is deposited into demand deposits and daily investment accounts. The District utilizes a financial institution to service bonded debt as principal and interest payments come due. The balance in this account is presented on the financial statements as "Restricted Assets - Investments". For presentation in the financial statements, investments in the money market accounts are considered to be cash equivalents.

NOTE D – INVESTMENTS

As per the Indenture Agreement, Hancock Bank is appointed as trustee and paying agent for the bonds. All of the District's investments, \$1,699,797, are invested in Hancock Horizon Treasure Money Market Fund.

**LAKESHORE VILLAGES MASTER COMMUNITY DEVELOPMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010**

NOTE D – INVESTMENTS (CONTINUED)

The District's investments are categorized to give an indication of the level of risk assumed by the District at year end. Category 1 provides for investments insured or registered, or securities held by the

District or its agents in the District's name. Category 2 provides for uninsured and unregistered securities held by the counter party's trust department or agent in the District's name. Category 3 includes uninsured and unregistered, with securities held by the counter party or by its trust department or agent but not in the District's name. The District's investments are considered Category 3 level of risk.

NOTE E – SPECIAL ASSESSMENTS

Pursuant to the Assessment Ordinance the levy of the assessment will operate as a lien and privilege against all of the real estate assessed by the Assessment Ordinance, prime all other claims except taxes, and continue in full force and effect without the necessity of reinscription so long as there are outstanding any unpaid amounts of principal and interest. Pursuant to the Assessment Ordinance, the phase I Special Assessment is levied on the total of the District Lands benefiting from the Phase I Property in an amount based on the square footage of such total for each of the years 2007 through 2016, inclusive. It is anticipated that, as a Parcel is sold by the Developer, the Developer, will, in the purchase agreement and/or act of sale relating to such Parcel, as a condition of such sale, contractually obligate the purchaser to pay the District the full amount of the Phase I Special Assessment allocable to the Parcel in accordance with the Assessment Ordinance, less the amount of the Debt Service Reserve Fund Credit applicable to such amount.

Upon receipt, the District's Trustee will (i) immediately deposit such amount in the Series 2007 Bond Redemption Fund and (ii) upon direction by the District, transfer an amount equal to the Debt Service Reserve Fund Credit from the Series 2007 Debt Service Reserve Account to the Series 2007 Bond Redemption Fund, to be used as required by the Indenture. Upon payment to the District's Trustee of the amount of the Phase I Special Assessment allocable to the Parcel, the Parcel will be released from the lien of the Phase I Special Assessment in accordance with the provisions of the Indenture.

The Board is required by the Act to annually determine order and levy the annual installment of the Phase I Special Assessment for the Series 2007 Bonds and related expenses. The amount of the Special Assessment for the exercise of the District's powers under the Act is required by the Act to be based upon a report of the District's engineer and assessed by the Board upon the District lands. The amount of the Phase I Special Assessment is based on the Infrastructure Valuation Report.

All Special Assessments in general shall be due and collected during each year that Parish taxes are due and are scheduled to be collected and enforced by the Tax Collector. In St. Tammany Parish, the Sheriff is the Ex-officio Tax Collector. The annual installment and levy is to be evidenced to and certified to the Tax Assessor not later than August 31 of each year, and the Special Assessment is to be entered by the Tax Assessor on the Parish tax rolls, and is scheduled to be collected and enforced by the Tax Collector in the same manner and at the same time as Parish taxes, and the proceeds thereof shall be paid to the

**LAKESHORE VILLAGES MASTER COMMUNITY DEVELOPMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010**

NOTE E – SPECIAL ASSESSMENTS (CONTINUED)

District. The tax rolls are open for public inspection for a fifteen day period each year (generally in August and September). The exact dates are published annually in all newspapers in the Parish.

The Louisiana Tax Commission certifies the tax rolls by November 15 of each year, and the Tax Collector mails tax notices shortly thereafter. The taxes are due and payable by December 31, of each year, and become delinquent thereafter unless a time extension is granted by the tax collector. The Special Assessments constitute a lien on the property against which assessed until paid, and are enforceable in like manner as parish taxes.

NOTE F – ASSESSMENTS RECEIVABLES

The following table sets forth the total Phase I Special Assessment:

						Total Average: Assessment per Parcel	
Area	Total Area Square Feet	Acres	Estimated Number of Parcels/ Apartments	Assessment per Square Foot	Allocable Principal	Single Family	Multifamily
Parcel	\$ 3,770,289	85.55	18	\$ 3.50	13,204,009	N/A	\$ 733,556
Lake Parcel	12,816,615	294.50	22	0.04	448,582	N/A	20,390
POD 1	3,607,565	82.82	534	3.50	12,635,134	23,661	N/A
POD 2	1,210,804	27.80	360	3.50	4,240,719	11,780	N/A
POD 3	1,597,500	36.67	190	3.50	5,595,085	29,448	N/A
POD 4	1,118,671	25.68	329	3.50	3,918,033	11,909	N/A
POD 5	322,692	7.41	104	3.50	1,130,195	10,867	N/A
POD 6	1,795,361	41.22	348	3.50	6,288,073	18,069	N/A
POD 7	2,841,344	65.23	378	3.50	9,951,525	26,327	N/A
POD 8	575,729	13.22	129	3.50	2,016,433	15,631	N/A
POD 9	2,578,145	59.19	308	3.50	9,029,694	29,317	N/A
POD 10	1,487,176	34.14	17	3.50	5,208,686	N/A	306,393

Pursuant to the Assessment Ordinance, the Phase I Special Assessment is due and collectible immediately, and if not paid within 30 days from the adoption of the Assessment Ordinance, it will be presumed that any property owner whose property is affected thereby exercises the right and option to pay the amount due as follows:

**LAKESHORE VILLAGES MASTER COMMUNITY DEVELOPMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010**

NOTE F – ASSESSMENTS RECEIVABLES (CONTINUED)

<u>Year</u>	<u>Amount Due</u>
2007 through 2016, inclusive	One full year's interest, at the rate not to exceed 5.25% per annum, on the amount of the unpaid Phase I Special Assessment
2013	¼ of the unpaid Phase I Special Assessment
2014	1/3 of the unpaid Phase I Special Assessment
2015	½ of the unpaid Phase I Special Assessment
2016	Balance of the unpaid Phase I Special Assessment

The assessment levied for the 2007 bonds were \$67,500,000. This represents the bond par value of \$75,000,000 less the amount originally reserved in the debt service reserve of \$7,500,000. The assessments levied have been accounted for in accounts receivable and deferred revenue. At the time the assessment are prepaid, the amount in the corresponding accounts and reduced by the prepayment.

The amount in assessments receivable at the end of the year is as follows:

Balance of Assessment Receivable 12/31/2007	\$ 67,240,826
Paid in 2008 (on sold parcels)	(2,442,447)
Balance of Assessments Receivable 12/31/2008	64,798,379
Paid in 2009 (on sold parcels)	(162,250)
Balance of Assessments Receivable 12/31/2009	64,636,129
Paid in 2010 (on sold parcels)	(403,723)
Balance of Assessments Receivable 12/31/2010	<u>\$ 64,232,406</u>

NOTE G – CAPITAL ASSETS

Proceeds of the Series 2007 Bonds were used by the District to acquire the Phase I Property, which consists of and includes the Phase I Improvements and certain predial servitudes and rights of way relating to the Phase I Improvements. The Phase I Improvements were conveyed, pursuant to the Predial Servitude and Act of Conveyance of Capital Infrastructure Improvements dated May 19, 2007 by and between the District and the Developer (Tammany Holding Company, LLC). The Developer warrants in the Conveyance Document that it is the lawful owner of the Phase I Improvements and servitudes conveyed and granted therein and that said Phase I Improvements and servitudes are free from all liens and encumbrances.

The Developer will retain ownership of the land on which the Phase I Improvements are located, although such land will be subject to the predial servitudes and rights of way. The Conveyance Document provides that the Developer will maintain and repair the Phase I Improvements, at its sole expense, for a period of one calendar year from the date of the Conveyance Document.

Based on the Infrastructure Valuation Report dated January 24, 2007 prepared by Krebs, LaSalle, LeMieux Consultants, Inc. the following table sets forth the Phase I Improvements purchased by the District as designed, constructed and installed and their estimated value in each instance. The

LAKESHORE VILLAGES MASTER COMMUNITY DEVELOPMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010

NOTE G – CAPITAL ASSETS, CONTINUED

conveyance of the Phase I Property from the Developer to the District occurred on the date of the delivery of the Bonds – May 9, 2007.

<u>Non-Depreciable Assets (Cost):</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Levees	\$ 36,000,000	\$ -	\$ -	\$ 36,000,000
Levee Canals	7,000,000	-	-	7,000,000
Interior Canals	3,900,000	-	-	3,900,000
Retention Pond	612,000	-	-	612,000
	<u>47,512,000</u>	-	-	<u>47,512,000</u>
<u>Depreciable Assets (Cost):</u>				
Lakeshore Boulevard East	7,133,000	-	-	7,133,000
Entrance Bridge	600,000	-	-	600,000
Pump Station	3,500,000	-	-	3,500,000
South End Access Road	7,352,000	-	-	7,352,000
General Costs	6,025,000	-	-	6,025,000
Total Cost of Depreciable Assets	<u>24,610,000</u>	-	-	<u>24,610,000</u>
Total Cost of Assets	<u>72,122,000</u>	-	-	<u>72,122,000</u>
<u>Accumulated Depreciation</u>				
Lakeshore Boulevard East	475,534	178,324	-	653,858
Entrance Bridge	40,000	15,000	-	55,000
Pump Station	373,333	140,000	-	513,333
South End Access Road	490,133	183,800	-	673,933
General Costs	540,756	203,433	-	744,189
Total Accumulated Depreciation	<u>1,919,756</u>	<u>717,957</u>	-	<u>2,637,713</u>
Net Depreciable Assets	<u>22,690,245</u>	<u>(717,957)</u>	-	<u>21,972,287</u>
Net Capital Assets	<u>\$ 70,202,245</u>			<u>\$ 69,484,287</u>

Depreciation Expense of \$717,957 was recorded in the governmental activities.

NOTE H – AMORTIZATION OF BOND ISSUE COSTS

Bond issuance costs, underwriting fees and discount are amortized over the life of the bonds using the straight line method. The changes in these costs are as follows:

LAKESHORE VILLAGES MASTER COMMUNITY DEVELOPMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010

NOTE H – AMORTIZATION OF BOND ISSUE COSTS (CONTINUED)

	Balance December 31, 2009	Amortization	Balance December 31, 2010
Bond Underwriting Fee	\$ 765,333	\$ (95,667)	\$ 669,666
Bond Discount	560,000	(70,000)	490,000
Bond Issuance Costs	226,100	(28,263)	197,837
Total	<u>\$ 1,551,433</u>	<u>\$ (193,930)</u>	<u>\$ 1,357,503</u>

NOTE I – LONG-TERM DEBT

The District issued and sold \$75,000,000 Special Assessment Bonds, Series 2007, due July 1, 2017. The bonds are issued by the District pursuant to (i) the Constitution of the State of Louisiana of 1974, (ii) the Community Development District Act of the State of Louisiana being LSA R.S. 33:9039.11 through 9039.37, (iii) the Master Trust Indenture and its amendments dated May 1, 2007 and each by and between the District and Hancock Bank of Louisiana, as Trustee.

Changes in long term debt during the period consist of:

	Balance December 31, 2009	Deletions	Balance December 31, 2010
2007 Bond Issue	<u>\$ 73,666,000</u>	<u>(448,582)</u>	<u>\$ 73,217,418</u>

The Series 2007 Bonds are subject to extraordinary mandatory redemption prior to maturity by the District in whole, on any date, or in part, on any January 1, April 1, July 1, or October 1, at an extraordinary mandatory redemption price equal to 100% of the principal amount of the Series 2007 Bonds to be redeemed, plus interest accrued to the redemption date from Series 2007 Prepayment Principal deposited into the Series 2007 Bond Redemption Fund following the payment in whole or in part of Special Assessments on any portion of the District Lands specially benefited by the Phase I Project.

In the case of any partial redemption of Series 2007 Bonds as described above, such redemption shall be effectuated by redeeming Series 2007 Bonds prorate amount the of the aggregate principal amount of Series 2007 Bonds to be redeemed multiplied times a fraction the numerator of which is the principal amount of the Series 2007 Bonds of such maturity outstanding immediately prior to the redemption date and the denominator of which is the aggregate principal amount of all Series 2007 Bonds outstanding immediately prior to the redemption date.

The Series 2007 Bonds issued mature (subject to prior redemption) on July 1, 2017 and will bear interest at the rate of 5.250% per annum (using a year of 360 days composed of twelve 30-day months) payable on January 1 and July 1 of each year, commencing July 1, 2007.

LAKESHORE VILLAGES MASTER COMMUNITY DEVELOPMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010

NOTE I – LONG-TERM DEBT (CONTINUED)

Future Requirements are as follows:

Calendar Year	Principal	Interest	Total
2011	\$ -	\$ 5,777,647	\$ 5,801,198
2012	-	3,843,914	3,843,914
2013	-	3,843,914	3,843,914
2014	18,304,355	3,843,914	22,214,269
2015	18,304,355	2,882,936	21,187,291
2016 - 2017	36,608,708	2,882,936	39,491,644
	<u>\$ 73,217,418</u>	<u>\$ 23,075,261</u>	<u>\$ 96,629,679</u>

NOTE J – RELATED PARTY TRANSACTIONS

Tammany Holding Company, LLC is a limited liability company domiciled in Slidell, Louisiana and is the Developer. The Developer acquired the Lakeshore Property in 1996, at which time the Lakeshore Property was mostly zoned Suburban Agriculture. The Developer prepared a Zoning and Master Plan for a mixed commercial and residential development based on concepts of "Smart Growth," as opposed to "Urban Sprawl." The Master Plan was approved by the Parish Council in 2001 and was subsequently revised on June 7, 2005.

Robert L. Torres, Sr. is the President, sole director and sole shareholder of the Developer. Mr. Torres manages all personnel of the Developer, as well as all subcontractors working in the Lakeshore Communities.

Robert L. Torres, Jr. is the Chief Financial Officer and General Manager over building construction of the Developer. He is also the Chairman of the District.

Mr. J. Durel Landry is the Vice-President-Administration of the Developer. He is also the District Manager.

NOTE K – BOARD MEMBERS PER DIEMS

There was one board meeting in 2010 where as each member received \$75 for a total of \$375:

Robert Torres, Jr.	\$ 75
David Kerr	75
Rickey Martin	75
Bobbie Scaglione	75
Patricia Leary	75
	<u>\$ 375</u>

**LAKESHORE VILLAGES MASTER COMMUNITY DEVELOPMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010**

NOTE L – CONCENTRATION OF OWNERSHIP

The vast majority of the District Lands are owned by the Developer, Tammany Holding Company, LLC. The Developer currently intends to develop the District lands. There are expected to be subsequent transfers of ownership of the District lands subsequent to the date of issuance of the Series 2007 Bonds. However, current economic conditions have resulted in the slowdown in the sale of property in the District lands by the Developer. The timely payment of the Series 2007 Bonds depends on the willingness and ability of the Developer to pay the Special Assessment when due. The Developer has a limited source of funds. The Developer has currently failed to make payments when due which has depleted the Series 2007 Debt Service Reserve Account prior to replenishment from the resale of property upon a foreclosure or otherwise. As of December 31, 2010, the District has an interest payment payable of \$1,933,732. The District has a balance of \$1,699,797 in its Series 2007 Debt Service Reserve Account, which could be used to make a partial payment. However, the District's Trustee has elected not to make any partial payments at this time.

NOTE M – SUBSEQUENT EVENTS

Management has evaluated subsequent events through the date that the financial statements were available to be issued, June 21, 2011, and determined that no events occurred that require disclosure. No subsequent events occurring after this date have been evaluated for inclusion in these financial statements.

REQUIRED SUPPLEMENTARY SCHEDULE (PART 2)

**LAKESHORE VILLAGES MASTER COMMUNITY DEVELOPMENT DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - CAPITAL PROJECTS FUND -
BUDGET TO ACTUAL (BUDGETARY BASIS)
FOR THE YEAR ENDED DECEMBER 31, 2010**

	<u>Actual</u>	<u>Budget</u>	<u>Variance</u>
Revenues			
Assessments on lots	\$ -	\$ -	\$ -
Other assessments	7,679	-	7,679
Interest	335	-	335
Total revenues	<u>8,014</u>	<u>-</u>	<u>8,014</u>
Expenditures			
Professional fees	6,000	12,000	6,000
District engineer	-	1,000	1,000
Board and officer fees	375	1,500	1,125
Fuel and utilities	1,335	5,000	3,665
Insurance	4,307	12,000	7,693
District manager fees	600	600	-
Bank charges	85	-	(85)
Reserve for contingency	-	(5,200)	(5,200)
Total expenditures	<u>12,702</u>	<u>26,900</u>	<u>14,198</u>
Change in fund balance	<u>(4,688)</u>	<u>(26,900)</u>	<u>(6,184)</u>
Fund balance			
Beginning of year	6,263	6,263	-
Ending of year	<u>\$ 1,575</u>	<u>\$(20,637)</u>	<u>\$ (6,184)</u>

See accompanying independent auditors' report.

OTHER REPORT



Certified Public Accountants & Consultants

Brent A. Silva, CPA
Craig A. Silva, CPA*
Thomas A. Gurtner, CPA*
Kenneth J. Abney, CPA, MS Tax*

*Limited Liability Companies

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

Board of Commissioners
Lakeshore Villages Master Community Development District
Slidell, Louisiana

We have audited the basic financial statements of Lakeshore Villages Master Community Development District, as of December 31, 2010 and for the year then ended, and have issued our report thereon dated June 21, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Lakeshore Villages Master Community Development District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Lakeshore Villages Master Community Development District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Lakeshore Villages Master Community Development District's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether Lakeshore Villages Master Community Development District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as item 2010-1.

This report is intended solely for the information and use of management, Board of Commissioners, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Silva Gurtner & Abney, LLC

June 21, 2011

**LAKESHORE VILLAGES MASTER COMMUNITY DEVELOPMENT DISTRICT
SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
DECEMBER 31, 2010**

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued:	Unqualified	
Internal control over financial reporting:		
Material weaknesses identified?	_____ yes	_____ <u>X</u> _____ no
Significant deficiencies identified		
not considered to be material weaknesses?	_____ yes	_____ <u>X</u> _____ no
Noncompliance material to financial statements		
noted?	_____ <u>X</u> _____ yes	_____ _____ no

Federal Awards

Internal control over major programs:	
Material weaknesses identified?	_____ <u>N/A</u> _____
Significant deficiencies identified	
not considered to be material weaknesses?	_____ <u>N/A</u> _____
Type of auditors' report issued on compliance	
for major programs:	_____ <u>N/A</u> _____
Any audit findings disclosed that are required	
to be reported in accordance with	
Circular A-133, Section .510 (a)?	_____ <u>N/A</u> _____
Identification of major programs:	_____ <u>N/A</u> _____
Dollar threshold used to distinguish	
between Type A and Type B programs:	_____ <u>N/A</u> _____
Auditee qualified as low-risk audit?	_____ <u>N/A</u> _____

**LAKESHORE VILLAGES MASTER COMMUNITY DEVELOPMENT DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
DECEMBER 31, 2010**

SECTION II – FINANCIAL STATEMENT FINDINGS

2010-1

Condition: As discussed in Footnote L, the vast majority of the District Lands are owned by the Developer, Tammany Holding Company, LLC, with the Developer currently intending to develop the District lands. However, current economic conditions have resulted in the slowdown in the sale of property in the District lands by the Developer. The timely payment of the Series 2007 Bonds depends on the willingness and ability of the Developer to pay the Special Assessment when due. The Developer has limited sources of funding. The Developer has currently failed to make payments when due which has depleted the Series 2007 Debt Service Reserve Account without replenishment from the resale of property upon a foreclosure or otherwise. As of December 31, 2010, the District was in default with the bond payments.

Criteria: The District should make timely payments of the Series 2007 Bonds to be in compliance with bond agreement.

Effect: The District is currently in violation of their bond agreement.

Cause: The District currently can not make the interest payments on the bonds. The District is solely dependent on the Developer's ability to sell properties within the District lands.

Auditor's recommendation: The District should continue to seek to restructure the bond agreement.

Management response: The District has been in negotiations with the bond holders and the Developer to restructure the bond agreement. However, at this time, no restructure has been agreed to. The District will continue to negotiate a restructure agreement.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Not applicable.

**LAKESHORE VILLAGES MASTER COMMUNITY DEVELOPMENT DISTRICT
SUMMARY OF PRIOR YEAR FINDINGS
DECEMBER 31, 2010**

<u>Ref. No.</u>	<u>Description of Finding</u>	<u>Corrective Action Planned</u>	<u>Anticipated Completion Date</u>
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Section I - Internal Control and Compliance Material to the Financial Statements:

No matters were reportable.

Section II - Internal Control and Compliance Material to Federal Awards:

Not applicable.

Section III - Management Letter:

No matters were reportable.